

December 31, 1997

D.T.E. 97-7

Petition of Nantucket Electric Company for approval by the Department of Telecommunications and Energy of a Cable Surcharge to become effective on January 1, 1998.

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FOR: NANTUCKET ELECTRIC COMPANY

## I. INTRODUCTION

On October 10, 1995, the Department of Telecommunications and Energy ("Department") approved a settlement in which Nantucket Electric Company ("Nantucket" or "Company") merged into New England Electric System ("Merger Agreement"). Nantucket Electric Company, D.P.U. 95-67 (1995). Pursuant to the Merger Agreement, Nantucket's customers will pay Massachusetts Electric Company's rates plus a cable facilities surcharge ("CFS") to cover the cost of underwater cable facilities to serve Nantucket. Id. at 2-3. The Department approved the 1997 CFS on December 31, 1996.

On November 26, 1997, Nantucket filed with the Department its proposed 1998 CFS, to become effective on January 1, 1998. Pursuant to notice duly issued, on December 22, 1997, the Department conducted a hearing in this matter. The evidentiary record consists of one Company exhibit and two Department exhibits. One Nantucket customer filed comments. There were no petitions for leave to intervene filed.

## II. THE CFS

### A. Description

The Company calculates its CFS annually based on projected costs and projected kilowatthour ("KWH") sales that are reconciled to actual figures in the next annual cable facilities surcharge filing (Exh. N-1, at 6). See also, D.P.U. 95-67, at 20. The Company states that its 1998 revenue requirement for its cable facilities is composed of (1) its projected cost of service for 1998, and (2) the reconciliation of the actual revenue collected under the 1997 CFS (Exh. N-1, at 7, 16-24).

The Company projects that its 1998 cable facilities cost of service to be \$3,098,000 (id. at 18, 29). As to the reconciliation, the Company states that in 1997, it collected \$3,828,915 in CFS revenues. However, Nantucket states that its actual 1997 cable facilities cost of service was \$2,746,000 (id. at 39). Thus, Nantucket overcollected approximately \$1,083,000 in 1997 (id. at 9, 30, 39). Lastly, the Company calculates the 1998 revenue requirement for its cable facilities to be approximately \$2,015,000 (\$3,098,00 minus \$1,083,000) (id. at 30).<sup>1</sup> Nantucket states that because its cable facilities revenue requirement for 1998 has decreased, customers bills will decrease on average approximately 12 percent, based on current rates (Exh. DTE-1).

The Company gives two reasons why it overcollected its CFS revenues for 1997 (Exh. N-1, at 10). First, Nantucket states that some of the invoice payments for the cable facilities that it included in its 1997 cable facilities cost of service projection were not paid at the anticipated time and, therefore, were not included in the actual 1997 cable facilities costs. This resulted in an overcollection of approximately \$850,000 (id.).<sup>2</sup> Second, Nantucket states that the remaining \$250,000 of overcollection is the result of actual KWH sales being higher than the projected KWH sales in its 1997 CFS filing (id. at 10, 38).

The Company proposes to allocate its cable facilities costs to the Company's rate classes based on the amount of CFS revenue each rate class has contributed during 1997

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<sup>1</sup> The Company calculates an estimated revenue requirement of \$3,037,000 for the cable facilities for 1999, an increase of approximately \$1,000,000 over its 1998 revenue requirement (Exh. DTE-2). Nantucket projects that this increase would result in an average increase of approximately 6 percent to all customer classes (id.).

<sup>2</sup> The Company states that it calculates its actual rate base on a cash basis and the delay in payments resulted in a lower average base for 1997 (Exh. N-1, at 10).

(id. at 30, 38-40). The Company asserts that allocating the cable facilities costs this way ensures equity among rate classes and avoids the rate shock that would result from an alternative allocation (id. at 31). The Company also proposes to continue the seasonal (Summer/Winter) CFS rates to maintain consistency with the Company's historic rate structure (id. at 32-33).

B. Analysis and Findings

In its review of the CFS, the Department assessed whether the CFS comports with the Department's rate design requirements. Nantucket Electric Company, D.P.U. 95-67, at 20 (1995). The Department reviewed the components of the Company's CFS revenue requirement. The Department finds that the Company's method of calculating and allocating Nantucket's 1998 CFS are consistent with D.P.U. 95-67 and with the Department's rate design requirements. Accordingly, the Department hereby approves the 1998 CFS proposed by Nantucket and as indicated in Table 1, below.

III. ORDER

Accordingly, after due notice, hearing, and consideration, it is

ORDERED: That Nantucket Electric Company shall implement the twelve-month 1998 cable facilities surcharge rates as indicated in Table 1 attached to this Order. These cable facilities surcharge rates shall go into effect on January 1, 1998.

By Order of the Department,

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Janet Gail Besser, Acting Chair

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John D. Patrone, Commissioner

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James Connelly, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).